In the Name of Allah

Sharif University of Technology

Department of Economics

Macroeconomics 1- Spring 2018

Instructor: Seyed Ali Madanizadeh

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Sessions: Sat and Mon 13:30-15:00

TAs: Sajjad Ghorbani, Sina Ziaee

Description

The course is the first course in Intermediate Macroeconomics. It is centered on five main topics: General Equilibrium, Economic Growth, monetary economics, short term macroeconomic analysis and open economy.

Prerequisites

Microeconomics 1

References:

1. Barro: Intermediate Macro (Chapters 1-11, 15-18)
2. Mishkin: Money and Banking (Chapters 19-24)
3. Doepke, Lehnert, Sellgren (DLS): Macroeconomics (Chapters 1-11)
4. (Persian) مباحثی از اقتصاد کلان پیشرفته، دکتر مسعود نیلی

Course Website:  http://gsme.sharif.edu/~madanizadeh/Files/macro1

Telegram Channel:  https://t.me/joinchat/AAAAAE59uibED6sVAAsceSA
Grading:

Problem sets: 30%
Quiz: 10%
Midterm: 20%
Final exam: 30%
Final Project: 10%

Exam:

We have a midterm exam on 1397/1/23 at 9:00 and a final exam on 1397/4/?? at 9:00AM. Exams consist of problems similar to your problem sets which include the readings as well. Weekly Quizzes would be from the readings of the weeks before.

Project:

You should pick a macro topic of your interest and the related papers from the list we provide and one related paper that you find yourself. The project is due 1396/4/18. You should have a written report. It is a group project and only one report is expected from each group.

Problem Sets:

- We Hand in problem sets on Wednesdays and they’re due right before class, the next Monday.
- You should work in groups of size at most three. You should collaborate on the problem sets, readings, … but every person should submit his/her own work.
- No copying permitted! In case of copying, both persons get zero for the whole problem set.
- No extensions! In case of truly exceptional emergency issues, you must inform me with a valid explanation before the deadline.
- You can drop one problem set.
• If you want your problem sets re-graded, you must make your request to your TA within ONE WEEK upon the return of your problem set.

• If you type your solutions, you receive 10% extra points on each pset.

• All the graphs in the problem sets should be plotted by the computer.

• Homeworks should be very neat and clean. Your final answers should be in boxes. Otherwise they’re subject to redoing.

**Teaching Assistants:**

Your TAs will have weekly TA sessions and will go over the previous problem set in addition to solving some sample problems that help you to better understand the course and prepare you to solve the currently assigned problem sets. Attending these sessions is extremely recommended; otherwise you lose a lot of concepts and technical skills since they’re complementary to the class materials. Additionally the TAs are holding weekly office hours to answer your questions. Take advantage of these hours to resolve any problems you might have with the materials or problem sets.

**Communication:**

We post the materials and the announcements on the course website and our Telegram Channel. Also we email you the important announcements. Please, frequently check your emails and the course website for any upcoming events.
Outline:

1. Macro-economy in the long run
   a. Real Economy in the Long run
      i. Closed Economy
         1. Production Possibility Frontier
         2. General Equilibrium and the Edgeworth Box
         3. Robinson Crusoe
         4. Consumption Saving Problem
         5. Growth
            a. Solow model
            b. Neoclassical growth Model (NGM)
            c. Introduction to Endogenous models
            d. Overview of Growth Literature
      ii. Open Economy
          1. Ricardian Model of Trade
          2. Heckscher-Ohlin Model
          3. Dutch Disease
   b. Nominal Economy in the long run
      i. Closed Economy
         1. Facts
         2. Quantity Theory of Money
         3. Bumou-Tobin
      ii. Open Economy
         1. PPP, IRP, ...
   c. Unemployment
      i. Labor flows
      ii. Matching
2. Macro-economy in the short run
   a. Aggregate Demand
      i. From NGM to RBC
      ii. Euler Equation and the IS Curve
      iii. Money demand/ monetary policy equation
      iv. AD curve
   b. Aggregate Supply
      i. Philips Curve
      ii. Nominal rigidities
iii. Information frictions and expectations
   1. Adaptive Expectations
   2. Rational Expectations
   3. Cagan equation and the equilibrium model
   4. Lucas Critique
c. GE Analysis (AS/AD)
   i. Shock analysis
   ii. Monetary Policies
   iii. Fiscal Policies
d. Open Economy
   i. Exchange Rate Overshooting
   ii. Mundell-Fleming
   iii. International finance Trilemma
Readings:

Real Economy

1. Barro 1,2,6,7
2. DLS 1,2,3,5,6
3. Dr Nili Ch 9,10
7. Hall and Jones 1999
8. Development Accounting by Hsieh and Klenow, 2010

International Trade

1. DLS 15

Economic Growth

1. Barro 3-5
2. DLS 11
3. Dr Nili Ch 11,12
4. The Ponzi Legacy
5. Paul Romer Interview
7. Hall Jones QJE99 - Why do some countries produce more output per worker than others
8. Dani Rodrick “Growth Strategies”

Nominal Economy in the long run

1. Barro 10-11
2. DLS 4,5,8
3. Mishkin 19,20
7. Some Evidence on the Importance of Sticky Prices by Bils and klenow, 2004
8. Inflation and Welfare by Lucas, 2000
9. Evidence on Money, inflation and Interest rates by Lucas, 2010
12. Fiat Money History in the US
   (March) pp. 1-17.
14. How to Cure Inflation:
   http://www.youtube.com/watch?v=b1dTWDNKH3c&list=PL388DC41A2564355A
17. http://www.youtube.com/watch?feature=player_embedded&v=THAaIZmxfNA#
18. http://www.youtube.com/watch?feature=player_embedded&v=8hlpDxdbj5w#

Closed Macro-economy in the short run
1. Barro 10,15,16
2. DLS 8,18,19
3. Dr Nili Ch 1-7
4. Mishkin 21-25

Open Macro-economy
2. Barro 17-18
3. Dr Nili Ch 8
4. The case for flexible exchange rates, by Friedman, 1953
5. Dornbusch, Rudiger, 1976. ‘Expectations and Exchange Rate Dynamics.’ Journal of
   Political Economy 84 (Dec.) pp. 1161-1176.
6. Learning from Argentina’s Crisis
7. The Mirage of Fixed Exchange Rates